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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA**

Order Instituting Rulemaking on the  
Commission's Own Motion to Conduct a  
Comprehensive Examination of Investor Owned  
Electric Utilities' Residential Rate Structures, the  
Transition to Time Varying and Dynamic Rates,  
and Other Statutory Obligations

R.12-06-013  
(Filed June 21, 2012)

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) MOTION TO REMOVE  
PCIA CARE/MB EXEMPTION ISSUE TO A.16-05-001; OR, IN THE ALTERNATIVE,  
TO SET LEGAL BRIEFING SCHEDULE IN THIS PROCEEDING**

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Dated: **May 3, 2017**

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Pursuant to Rule 11.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Southern California Edison Company (SCE) respectfully submits this Motion to Remove PCIA CARE/MB Exemption Issue to A.16-05-001; or, in the Alternative, to Set Legal Briefing Schedule in This Proceeding (Motion). SCE's Motion is supported by the facts and the law, and granting it will facilitate the Commission's efficient and prompt resolution of an important but straightforward policy and legal issue. For the reasons described below, SCE respectfully requests that the Commission<sup>1</sup> grant the Motion.

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<sup>1</sup> SCE originally sought to have the PCIA CARE/MB exemption issue addressed in its 2016 Rate Design Window Application proceeding (A.16-09-003). Pacific Gas & Electric Company (PG&E) sought to have the issue addressed in its pending General Rate Case Phase 2 proceeding (A.16-06-013). Two Assigned Commissioner Rulings in those proceedings denied those requests. SCE is concurrently serving this Motion in those two dockets as well as in A.16-05-001.

## I.

### **INTRODUCTION AND BACKGROUND**

Customers participating in Direct Access and Community Choice Aggregation (CCA), collectively known as departing load, receive generation service from an energy service provider other than SCE. In addition to the generation rates set by their energy service provider, departing load customers are also subject to the Power Charge Indifference Adjustment (PCIA) that collects from departing load customers their share of “above-market,” or uneconomic, costs of generation procured by SCE on their behalf prior to their departure.<sup>2</sup> Bundled service customers pay the full costs of generation procured by SCE, including any costs that are deemed “above-market” in the PCIA calculation, through their SCE bundled service generation rates. Departing load customers remain SCE delivery service customers and continue to pay the same SCE distribution, transmission, and public purpose program charges as bundled service customers.

SCE calculates the California Alternate Rates for Energy (CARE) discount for both bundled service and departing load customers by adding up all elements of a customer’s bill but then applying the full discount to all customers’ SCE distribution rates.<sup>3</sup> This guarantees that all departing load CARE customers continue to receive the exact CARE discount “as if they had remained on bundled service.”<sup>4</sup> But also exempting these departing load CARE customers from the PCIA generation rate results in an additional discount that their bundled service CARE counterparts do not receive. Not only is that result inequitable on its face, but the Commission

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<sup>2</sup> On April 25, 2017, SCE (in conjunction with PG&E and San Diego Gas & Electric Company (SDG&E)) filed A.17-04-018 for approval of the “Portfolio Allocation Methodology” or “PAM.” PAM is intended to completely replace the current indifference methodology, of which PCIA is a major component. PAM will not go into effect until 2019 at the earliest, however, and SCE respectfully submits that this issue needs to be resolved now to avoid impermissible cost-shifting in the interim.

<sup>3</sup> For example, assume that the CARE discount is 35%, and that a customer’s total monthly bill, prior to the application of the CARE discount, is \$50 (\$20 generation service, \$30 delivery service). The CARE discount of \$17.50 (*i.e.*, 35% of the total monthly bill) is applied through reduced distribution rates, resulting in a total bill of \$32.50 (\$20 generation service, \$12.50 delivery service). A customer’s delivery service bill is not affected by his/her choice of generation service provider.

<sup>4</sup> D.05-12-041, p. 52.

has already decided this issue in the Order Instituting Rulemaking to Implement Portions of AB 117 Concerning Community Choice Aggregation (R.03-10-003):

The CPUC has had a long standing commitment to support low income programs such as the CARE program. As such, we believe that it is good public policy that all of California's qualifying electric customers reap the benefits of this program by receiving the CARE discount. Thus, we order the Utilities to continue to provide CARE discounts to all qualifying CCA customers as the utilities propose. The discount would apply to all elements of a customer's bill, including the CCA portion, but the discount would be applied **only to the distribution rate**. The utilities would calculate the generation portion of their CARE discount using their own generation rates. Bundled customers would not be subsidizing CCA customers because all customers pay for the CARE discount through either the public purpose program charge or their distribution rates (or, in the case of SDG&E, a separate line item that applies to all customers). We adopt the utility proposals for ratemaking treatment of these proposals, whether as part of distribution rates for PG&E and SCE or as a separate line-item in SDG&E's case. We agree with the utilities that the discount **should not** be reflected in the [PCIA]. CCAs may design rates which provide additional discounts to low income customers, a ratemaking matter that would be **at the discretion of the CCA**.<sup>5</sup>

## II.

### **PROCEDURAL HISTORY**

- After the Commission decided the issue in D.05-12-041, in 2007 the Commission approved PG&E's proposal to eliminate the PCIA exemption for PG&E's departing load CARE customers.<sup>6</sup>
- In May of 2015, SCE filed Advice 3214-E, seeking to symmetrically eliminate the exemption for SCE's departing load CARE customers (and also its departing load medical baseline (MB) customers).

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<sup>5</sup> D.05-12-041, pp. 52-53 (emphases added). Indeed, if CCAs, ESPs or other providers want to provide a further discount to their CARE customers, nothing prevents them from unilaterally setting their own generation rates to accomplish that goal.

<sup>6</sup> D.07-09-004.

- In October of 2015, the Energy Division denied SCE’s advice filing on procedural grounds, and directed SCE to re-file it in a proceeding “such as ... [a] rate design window” application.<sup>7</sup>
- In June of 2016, as part of its 2016 GRC Phase 2 (A.16-06-013), PG&E proposed to eliminate the PCIA exemption for its departing load MB customers. The issue was included in the scope of that proceeding.
- In September of 2016, when SCE filed its next Rate Design Window application (A.16-09-003), in response to the Energy Division’s guidance in its advice letter disposition SCE included its PCIA CARE/MB exemption proposal.
- In November of 2016, the City of Lancaster filed a motion in A.16-09-003 to have the PCIA CARE/MB exemption issue “consolidated” into this proceeding.
- In December of 2016, Marin Clean Energy (MCE) filed a motion seeking to have the PCIA CARE/MB exemption issue for all three investor-owned utilities (IOUs) considered in this proceeding.
- On March 21, 2017, Assigned Commissioner Picker in A.16-09-003 ruled SCE’s PCIA CARE/MB exemption proposal out of scope in that proceeding. In so doing, President Picker noted that the issue had “statewide implications,”<sup>8</sup> but did not opine in which proceeding the issue should be considered.
- On March 28, 2017, Assigned Commissioner Peterman and Assigned ALJ Cooke in A.16-06-013 ruled that for all three IOUs the “issue of whether all Departing Load customers served on CARE and MB rates should pay the PCIA should be reviewed [in this Res Rate OIR proceeding.]”<sup>9</sup> In the ruling, Commissioner Peterman noted that it is reasonable and important to review the PCIA CARE/MB

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<sup>7</sup> October 6, 2015, Energy Division Disposition of SCE Advice 3214-E (cover letter).

<sup>8</sup> A.16-09-003 Scoping Memo and Ruling of Assigned Commissioner at p. 4.

<sup>9</sup> A.16-06-013 Assigned Commissioner and Administrative Law Judge Ruling on Motion Seeking Consolidation at 7.

exemption issue “in a single proceeding, especially one that can consider the perspective of SCE, SDG&E, and their ratepayers as well.”<sup>10</sup>

### III.

#### **THE COMMISSION SHOULD CONSIDER THE PCIA CARE/MB EXEMPTION ISSUE IN THE IOUS’ CONSOLIDATED 2017 ERRA PHASE 2 PROCEEDING**

SCE supports the Commission’s determination to examine the PCIA exemption issue for all departing load CARE and MB customers in a single proceeding, and agrees that there should be consistency in how the issue is treated for all IOU departing load customers. But Phase 3 of this proceeding is not the ideal procedural venue for that consideration. In this proceeding, among the many issues relevant to implementing default time-of-use (TOU) rates for eligible residential customers, the Commission is considering “the restructuring of the CARE rate under AB 327.”<sup>11</sup> The PCIA CARE/MB exemption issue has nothing to do with AB 327. SCE’s PCIA CARE/MB exemption proposal is completely unrelated to potential changes to CARE rates for customers effectuated through future distribution rates.

The Commission does, however, have an alternative, more appropriate procedural venue to consider the PCIA CARE/MB exemption issue. Unlike this proceeding, SCE’s proposed alternative proceeding is already well-suited -- and in fact currently scoped -- to examine PCIA-related policy issues. In December 2016, the Commission issued D.16-12-054, setting a Phase 2 in SCE’s 2017 ERRA Forecast proceeding (A.16-05-001) to address another policy issue regarding the PCIA (specifically, the appropriateness of the continuation of PCIA for pre-2009 vintaged departing load customers). The Commission noted that “it is likely that the second phase of [SCE’s 2017 ERRA Phase 2] proceeding will be consolidated with those of the other IOUs – PG&E and SDG&E.”<sup>12</sup>

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<sup>10</sup> *Id.* at 8.

<sup>11</sup> D.15-07-001, p. 6.

<sup>12</sup> D.16-12-054 at. 11, FN 23.

It is logical and efficient for the Commission to consider the PCIA CARE/MB exemption policy issue in conjunction with the PCIA pre-2009 vintaging policy issue in A.16-05-001, instead of in this residential rate reform proceeding, which was intended to examine completely-unrelated CARE issues. Moreover, because stakeholders in this proceeding are focused on many pressing TOU issues, their time and resources have not been devoted to the slower CARE restructuring track. Pairing the PCIA CARE/MB exemption issue with that track would risk sidelining a time-sensitive but discrete legal issue of great importance that could be resolved expeditiously in a docket that is less crowded with unrelated issues.

#### IV.

#### **EXPEDIENT RESOLUTION IS NECESSARY**

Timing is yet another reason to adjudicate this issue in A.16-05-001 instead of in this proceeding. SCE agrees that “the expansion of CCA reinforce[s] the notion that the departing load landscape has fundamentally changed since the Commission’s decisions on related matters in 2005 and 2007 ....”<sup>13</sup> There is no briefing schedule in place for the portion of Phase 3 of this proceeding devoted to CARE restructuring.<sup>14</sup> As an alternative avenue of relief in this Motion, SCE respectfully requests that the Commission set a legal briefing schedule to examine this important but straightforward issue.<sup>15</sup>

Expedient resolution of this issue (whether in A.16-05-001 or here) is necessary. As discussed above, all CARE customers – bundled service and departing load alike – currently receive the exact same, statutorily-defined CARE discount through their IOU distribution rates. Exempting departing load CARE and MB customers from PCIA results in a “double discount”

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<sup>13</sup> A.16-06-013 Assigned Commissioner and Administrative Law Judge Ruling on Motion Seeking Consolidation at 7.

<sup>14</sup> SCE acknowledges that likewise no such procedural schedule is currently in place in A.16-05-001 Phase 2, but respectfully suggests that the narrow and discrete PCIA CARE/MB exemption issue can be dealt with expeditiously and efficiently in that docket.

<sup>15</sup> SCE acknowledges that R.12-06-013 already is considering many important issues, some on accelerated schedules, and therefore SCE’s primary request for relief is to remove this issue for consideration in A.16-05-001.

for those customers that bundled service CARE and MB customers do not receive. This “double discount” is paid for by bundled service customers (through increases to their ERRRA rates), including (ironically) by CARE and MB bundled service customers. As CCA growth expands and accelerates, mathematically this cost shift will only continue to grow. That cost-shifting is not just inequitable, it is also directly contrary to statute. California black-letter law unambiguously prohibits any cost increase or cost-shifting between customers resulting from departing load.<sup>16</sup> Further delay in addressing this issue simply exacerbates the ongoing cost-shifting, and the Commission should expeditiously resolve it now.

**V.**

**CONCLUSION**

For the reasons stated herein, SCE respectfully requests that the Commission remove consideration of the CARE/MB exemption issue to A.16-05-001 Phase 2, or, in the alternative, set a legal briefing schedule in this proceeding to consider the issue.

Respectfully submitted,

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<sup>16</sup> See, e.g., Public Utilities Code Section 365.2, 366.2 and 366.3.